

Property Tax Payments, 2002-2003

- Boone County -

Indiana Legislative Services Agency

June 2005

The Indiana Supreme Court found Indiana's true tax value assessment rules to be unconstitutional in December 1998. Major changes in property tax payments in each county from 2002 to 2003 were caused by several factors, including:

- The move from the old true tax value assessment rules to the new market-oriented rules during the 2002-2003 property tax reassessment.
- Tax levy increases by local taxing units, which are influenced by spending and the availability of other revenue sources.
- The tax restructuring provisions enacted by the General Assembly in 2002 to help mitigate some of the effects of the assessment changes.

State Tax Credits Increased in Boone County from \$7.2 Million in 2002 to \$12.7 Million in 2003.

The General Assembly's restructuring provisions increased state tax credits statewide in 2003 from \$1.12 billion to \$1.87 billion, an increase of approximately \$748 million. In Boone County, state tax credits

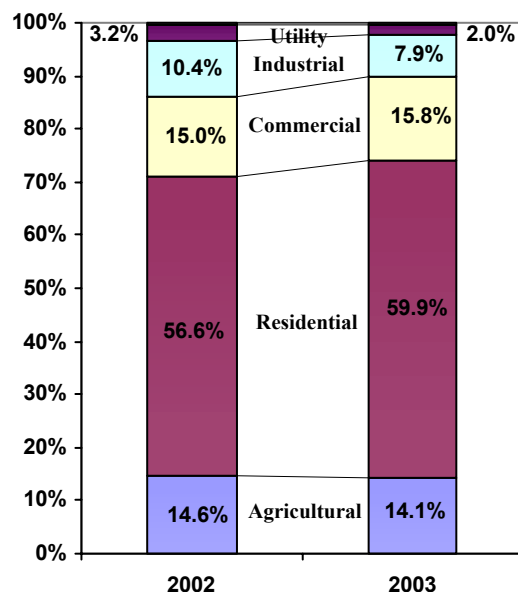
Table 1. Changes in AV and Tax Bills by Property Class for Boone County, 2002-2003.

Property Class	Change In		
	Total Gross AV	Net AV	Net Tax Bill
Agricultural	90.7%	82.3%	-4.8%
Residential (All)	116.5%	91.2%	4.2%
Homestead Only	113.0%	81.1%	-1.0%
Commercial	75.9%	80.9%	4.0%
Industrial	15.6%	22.0%	-25.2%
Utility	8.5%	8.5%	-36.7%
Avg. All Classes	91.7%	78.9%	-1.5%

increased from \$7.2 million to \$12.7 million, an increase of \$5.5 million. This paper provides a brief summary of how these factors changed property tax liabilities in Boone County.

Tax Shifts. Boone County saw a property tax shift from agricultural, industrial, and utility property owners to residential and commercial property owners. Tax bills paid by agricultural property owners decreased slightly, while tax bills paid by industrial and utility property owners decreased more. Residential and commercial property owners saw a small increase (see Table 1). [Restructuring also incorporated an increase in the Utility Receipts Tax to compensate for reduced property tax payments by utilities.] The reason for these shifts between classes of property was that the total of real plus personal property net assessed values (AV) of agricultural, residential, and commercial property increased much more than the net assessed values of industrial and utility property. This shifted taxes towards residential and commercial taxpayers. Agricultural taxes

Figure 1. Share of Net Property Tax Billings in Boone County.



* May not total 100% due to taxes paid by exempt/undefined parcels.

fell because such property is in rural tax districts with smaller tax levy increases. These figures include the effects of new construction, demolition, and remodeling of property, as well as the effects of reassessment, tax restructuring, and levy increases.

Homeowners and Renters. The residential property type includes both homestead and non-homestead residential property. Owners of residential and agricultural homesteads in Boone County saw their tax bills decrease while the average residential property increased. A property is eligible for the homestead deduction and credit if it is occupied by its owner and is the owner's primary residence. The increase in the homestead deduction from \$6,000 to \$35,000 is the reason that residential net assessed value rose so much less than gross assessed value.

Tax bills on non-homestead residential property, which is primarily rental property, increased much more than for homestead property. Taxes rose because rental assessments increased as much as homestead assessments, but rental property was not eligible for the homestead deduction or homestead credit.

Table 2 shows tax changes for comparable properties, those with physical features that were unchanged from 2002 to 2003. In Boone County, more residential property owners (including both homeowners and rental property owners) saw tax bill increases than decreases in 2003. Separately, more homestead owners saw decreases rather than increases.

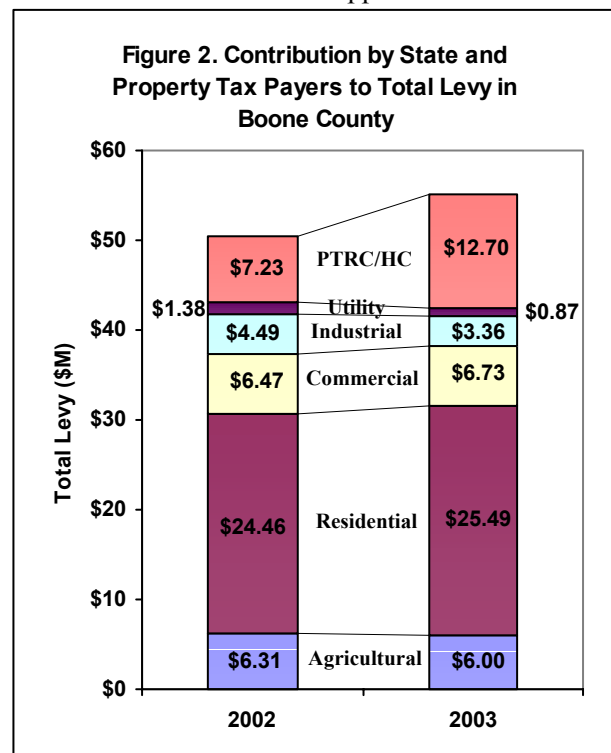
Table 2. Distribution of Net Tax Changes on Comparable Residential Property in Boone County.				
	Residential - Actual -	Homestead - Actual -	Residential - NO Levy Change -	Homestead -NO Levy Change -
Increased	57.8%	41.7%	47.0%	28.3%
Decreased	42.2%	58.3%	53.0%	71.7%
Increased 100% or More	8.7%	3.7%	6.4%	2.7%
Decreased 25% or More	10.1%	13.6%	17.5%	24.5%
Average Change (\$)	\$5	-\$80	-\$95	-\$196
Average Change (%)	0.4%	-5.0%	-7.3%	-12.1%
* Percentages represent the percentage of parcels affected.				

Not all of the tax bill change was due to reassessment and tax restructuring. Some was due to increases in the tax levies of local units of government. Table 2 shows estimates of what would have happened had tax levies remained unchanged. The estimates are made by recalculating tax rates for 2003 using tax levies from 2002.

With no levy changes, less than half of all residential property owners would have seen tax increases, and a little over half would have seen tax decreases. For homesteads, 28% would have seen increases and 72% would have seen decreases. Apart from levy increases, reassessment and restructuring reduced the taxes of many more homeowners than they increased.

Agriculture. Taxes on agricultural property in Boone County fell. Overall, agricultural business taxes decreased less than agricultural homestead taxes. The net assessed value on non-homestead agricultural real property doubled. This reflects the 112% increase in the base rate of farm land, from \$495 to \$1,050 per acre. Agricultural net personal property assessments increased by a smaller amount.

Business. Taxes on industrial and utility property fell in Boone County. Assessed values for most business property



rose less than residential and agricultural assessments. Business real property was assessed closer to the market value standard under the old assessment rules than was residential property. Consequently, the shift to market value assessment increased business assessments less. The general rise in assessed values in Boone County reduced tax rates, and this cut tax bills for owners of property with smaller assessment increases, like industrial and utility properties.

Tax Restructuring. The tax restructuring of 2002 made significant changes to property tax assessments, deductions, credits, and hence to overall tax payments. Restructuring reversed personal property rule changes which the Department of Local Government Finance had put in place. It replaced one tax break for homeowners, known as the shelter allowance, with a larger (in most cases) homestead deduction. Restructuring also increased property tax replacement credits (PTRC) from the existing 20% credit. PTRC on school general fund levies is now 60% for all property. A 20% PTRC is paid to real property owners on civil levies plus the remaining school general fund levies (after the 60% credit). Restructuring also raised the homestead credit to 20% of net qualifying levies, instead of allowing it to revert to 4% of gross qualifying levies in 2003. Figure 2 shows the net levies paid by each property classification along with the PTRC and state homestead credit contributions. The contribution to local levies in Boone County by PTRC and state homestead credit payments increased by approximately 76%, from \$7.2 million to \$12.7 million.

Table 3 shows estimates of how Boone County tax bills would have changed for each property type had tax restructuring not been adopted. Agricultural property owners would have had tax increases without restructuring. The increase for residential property owners would have been particularly large. The increases in the homestead deduction and PTRC in the tax restructuring reduced the tax bills. Boone County homestead property taxes decreased because the reassessment business-to-residential tax shift, plus the increase in the tax levy, was offset by the rise in the homestead deduction and higher state PTRC payments. The larger PTRC payments are also responsible for increasing the tax cuts received by industrial property and reducing the increases on commercial property. The percentage changes in the “With Restructuring” column of Table 3 correspond to the changes in the net levies in Figure 2.

Property Type	No Restructuring (Estimated)	With Restructuring (Actual)	Difference
Agricultural	6.1%	-4.8%	-10.9%
Residential (All)	25.2%	4.2%	-21.0%
Homestead Only	26.4%	-1.0%	-27.4%
Commercial	5.7%	4.0%	-1.8%
Industrial	-24.6%	-25.2%	-0.6%
Utility	-42.2%	-36.7%	5.4%

List of Attached Summary Tables. Four summary tables are attached to provide additional information regarding assessed values and taxes by property class.

Summary Table 1: Comparison of 2002 and 2003 Net Property Tax Billings by Property Classification. This table summarizes net tax billings for real and personal property by property class. Additional information is provided for subclasses such as homesteads, agricultural homesteads, agricultural land, and rental properties.

Summary Table 2: Comparison of 2002 and 2003 Net Assessed Value by Property Classification. This table summarizes net assessed values for the same property classes described in Summary Table 1.

Summary Table 3: Changes in Assessed Values, Deductions, Credits, and Net Levies. This table summarizes the county-wide changes in tax bill components from 2002 to 2003 for real and personal property by property class.

Summary Table 4: Residential Property Summary. This table summarizes the assessed value and net tax changes from 2002 to 2003 for residential property. The table includes a distribution of net tax changes for comparable residential properties and for the homestead component of residential property. The table also depicts the distribution of changes as if there were no levy increase in 2003.

Boone County
Changes in Assessed Values, Deductions, Credits and Net Levies
Pay 2002 - Pay 2003

	Total	Agriculture	Residential	Res-Hmstd	Commercial	Industrial	Utility
Pay 2002							
Real Gross Assessed Value	1,527,231,558	259,726,978	990,057,627	815,736,008	152,466,529	124,492,097	0
Real Deductions	149,909,309	10,239,746	80,740,667	80,740,667	7,845,825	51,083,071	0
Real Net Assessed Value	1,377,322,249	249,487,232	909,316,960	734,995,341	144,620,704	73,409,026	0
Personal Gross Assd. Value	257,101,765	25,959,362	8,692,000	0	81,380,891	88,799,483	52,270,030
Personal Deductions	7,935,720	0	10,180	0	2,968,410	4,957,130	0
Personal Net Assd. Value	249,166,045	25,959,362	8,681,820	0	78,412,481	83,842,353	52,270,030
Total Gross Assessed Value	1,784,333,323	285,686,340	998,749,627	815,736,008	233,847,420	213,291,579	52,270,030
Total Deductions	157,845,029	10,239,746	80,750,847	80,740,667	10,814,235	56,040,201	0
Total Net Assessed Value	1,626,488,294	275,446,594	917,998,780	734,995,341	223,033,185	157,251,378	52,270,030
Gross Levy	50,373,476	7,282,159	29,272,447	23,495,002	7,227,944	5,043,121	1,532,155
PTRC (Calculated)	5,012,844	805,448	2,740,655	2,190,730	754,981	556,668	153,336
State/County Homestead Cr. (Calculated)	2,246,128	171,296	2,074,832	2,074,832	0	0	0
Net Levy	43,114,503	6,305,415	24,456,960	19,229,440	6,472,963	4,486,453	1,378,818
Pay 2003							
Real Gross Assessed Value	3,112,400,235	517,864,327	2,153,211,624	1,737,262,537	299,348,157	141,853,777	0
Real Deductions	498,827,131	42,476,302	406,381,653	406,381,653	5,105,165	44,861,010	0
Real Net Assessed Value	2,613,573,104	475,388,025	1,746,829,971	1,330,880,884	294,242,992	96,992,767	0
Personal Gross Assd. Value	308,838,408	26,818,880	8,683,129	0	111,922,148	104,680,892	56,733,359
Personal Deductions	12,570,570	0	5,650	0	2,799,450	9,765,470	0
Personal Net Assd. Value	296,267,838	26,818,880	8,677,479	0	109,122,698	94,915,422	56,733,359
Total Gross Assessed Value	3,421,238,643	544,683,207	2,161,894,753	1,737,262,537	411,270,305	246,534,669	56,733,359
Total Deductions	511,397,701	42,476,302	406,387,303	406,381,653	7,904,615	54,626,480	0
Total Net Assessed Value	2,909,840,942	502,206,905	1,755,507,450	1,330,880,884	403,365,690	191,908,189	56,733,359
Gross Levy	55,478,399	8,195,467	33,664,789	25,514,487	8,407,443	4,177,463	1,031,134
PTRC (Calculated)	11,577,081	2,088,263	6,830,685	5,140,393	1,677,330	821,353	158,952
State/County Homestead Cr. (Calculated)	1,447,379	103,537	1,343,842	1,343,842	0	0	0
Net Levy	42,453,939	6,003,668	25,490,262	19,030,251	6,730,113	3,356,110	872,182

COMPARISONS

Net Levy Percent Change	-1.5%	-4.8%	4.2%	-1.0%	4.0%	-25.2%	-36.7%
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Contributions to Tax Bill Changes, 2002-2003

Percent Changes	Total	Agriculture	Residential	Res-Hmstd	Commercial	Industrial	Utility
Gross Real AV	103.8%	99.4%	117.5%	113.0%	96.3%	13.9%	
Gross Personal AV	20.1%	3.3%	-0.1%	0.0%	37.5%	17.9%	8.5%
Total Gross Assessed Value	91.7%	90.7%	116.5%	113.0%	75.9%	15.6%	8.5%
Net Assessed Value	78.9%	82.3%	91.2%	81.1%	80.9%	22.0%	8.5%
Gross Levy	10.1%	12.5%	15.0%	8.6%	16.3%	-17.2%	-32.7%
Net Levy	-1.5%	-4.8%	4.2%	-1.0%	4.0%	-25.2%	-36.7%

Actual State Credits, 2002 and 2003

	2002	2003	Change	Change%
PTRC (Abstract)	4,903,092	11,245,951	6,342,859	129.4%
State Homestead Cr. (Abstract)	2,323,020	1,451,657	-871,362	-37.5%
Total State Credits (Abstract)	7,226,111	12,697,608	5,471,497	75.7%

Comparison of 2002 and 2003 Net Property Tax Billings*
(Scaled to Abstract Values)
By Property Classification**
Boone County

Property Classification	2002 Net Tax	2003 Net Tax	Difference***	Change***	2002 % of Total Real + Pers	2003 % of Total Real + Pers	Change
<u>Real + Personal</u>							
Agricultural	6,305,415	6,003,668	-301,747	-4.8%	14.6%	14.1%	-0.5%
Residential	24,456,960	25,490,262	1,033,302	4.2%	56.6%	59.9%	3.3%
Commercial	6,472,963	6,730,113	257,150	4.0%	15.0%	15.8%	0.8%
Industrial	4,486,453	3,356,110	-1,130,343	-25.2%	10.4%	7.9%	-2.5%
Utility	1,378,818	872,182	-506,636	-36.7%	3.2%	2.0%	-1.1%
Exempt	108,375	97,564	-10,811	-10.0%	0.3%	0.2%	0.0%
Undefined	13,894	1,605	-12,289	-88.4%	0.0%	0.0%	0.0%
Total	43,222,878	42,551,504	-671,374	-1.6%	100.0%	100.0%	0.0%
<u>Real Property Only</u>							
Agricultural	5,720,003	5,659,169	-60,834	-1.1%	13.2%	13.3%	0.1%
Residential	24,231,088	25,369,019	1,137,931	4.7%	56.1%	59.6%	3.6%
Commercial	4,241,203	4,822,720	581,517	13.7%	9.8%	11.3%	1.5%
Industrial	2,092,389	1,622,964	-469,425	-22.4%	4.8%	3.8%	-1.0%
Utility	0	0	0	0.0%	0.0%	0.0%	0.0%
Exempt	108,375	97,564	-10,811	-10.0%	0.3%	0.2%	0.0%
Undefined	13,894	1,605	-12,289	-88.4%	0.0%	0.0%	0.0%
Total	36,406,952	37,573,041	1,166,089	3.2%	84.2%	88.3%	4.1%
Agricultural Homesteads	2,213,990	2,056,036	-157,954	-7.1%	5.1%	4.8%	-0.3%
Residential Homesteads	19,229,440	19,030,251	-199,189	-1.0%	44.5%	44.7%	0.2%
Total Homesteads	21,443,430	21,086,287	-357,143	-1.7%	49.6%	49.6%	-0.1%
Non-Homestead Residential	5,001,648	6,338,768	1,337,120	26.7%	11.6%	14.9%	3.3%
Apartments (Over 4 Units)	912,404	1,053,897	141,493	15.5%	2.1%	2.5%	0.4%
<u>Personal Property Only</u>							
Agricultural	585,412	344,499	-240,913	-41.2%	1.4%	0.8%	-0.5%
Residential	225,871	121,242	-104,629	-46.3%	0.5%	0.3%	-0.2%
Commercial	2,231,759	1,907,393	-324,366	-14.5%	5.2%	4.5%	-0.7%
Industrial	2,394,065	1,733,146	-660,919	-27.6%	5.5%	4.1%	-1.5%
Utility	1,378,818	872,182	-506,636	-36.7%	3.2%	2.0%	-1.1%
Total	6,815,925	4,978,462	-1,837,463	-27.0%	15.8%	11.7%	-4.1%
Total Depreciables	4,735,341	3,177,725	-1,557,616	-32.9%	11.0%	7.5%	-3.5%
Total Inventory	1,854,713	1,679,495	-175,218	-9.4%	4.3%	3.9%	-0.3%
<u>Agricultural Only</u>							
Ag Non-Hmstd Real	3,506,013	3,603,132	97,119	2.8%	8.1%	8.5%	0.4%
Ag Personal	585,412	344,499	-240,913	-41.2%	1.4%	0.8%	-0.5%
Total Ag Business	4,091,425	3,947,631	-143,794	-3.5%	9.5%	9.3%	-0.2%
Ag Homesteads	2,213,990	2,056,036	-157,954	-7.1%	5.1%	4.8%	-0.3%

* "Tax billings" for real property refers to the net taxes charged per the parcel level data received from county auditors and assessors, scaled to values reported on the county auditor's abstract.

* "Tax billings" for personal property refers to the net taxes charged on the personal property assessed value reported on the county auditor's abstract.

** Property class was determined using a combination of county auditor parcel-level real property tax data, county assessor parcel-level real property assessment data, county auditor abstracts, Form 15 personal property assessment data, business and farmer's personal property tax returns over \$150,000 AV, and state distributable utility tax returns.

*** Net tax changes from 2002 to 2003 include effects of changes in assessment methods, local levies, real property physical characteristics, property use, personal property held or acquired, deductions, and credits.

Comparison of 2002 and 2003 Net Assessed Value*
(Scaled to Abstract Values)
By Property Classification**
Boone County

Property Classification	2002 Net AV	2003 Net AV	Difference***	Change***	2002 % of Total Real + Pers	2003 % of Total Real + Pers	Change
<u>Real + Personal</u>							
Agricultural	275,446,594	502,206,905	226,760,311	82.3%	16.9%	17.2%	0.3%
Residential	917,998,780	1,755,507,450	837,508,670	91.2%	56.3%	60.2%	3.9%
Commercial	223,033,185	403,365,690	180,332,505	80.9%	13.7%	13.8%	0.2%
Industrial	157,251,378	191,908,189	34,656,811	22.0%	9.6%	6.6%	-3.1%
Utility	52,270,030	56,733,359	4,463,329	8.5%	3.2%	1.9%	-1.3%
Exempt	3,828,147	5,622,240	1,794,093	46.9%	0.2%	0.2%	0.0%
Undefined	488,327	119,350	-368,977	-75.6%	0.0%	0.0%	0.0%
Total	1,630,316,441	2,915,463,183	1,285,146,742	78.8%	100.0%	100.0%	0.0%
<u>Real Property Only</u>							
Agricultural	249,487,232	475,388,025	225,900,793	90.5%	15.3%	16.3%	1.0%
Residential	909,316,960	1,746,829,971	837,513,011	92.1%	55.8%	59.9%	4.1%
Commercial	144,620,704	294,242,992	149,622,288	103.5%	8.9%	10.1%	1.2%
Industrial	73,409,026	96,992,767	23,583,741	32.1%	4.5%	3.3%	-1.2%
Utility	0	0	0	0.0%	0.0%	0.0%	0.0%
Exempt	3,828,147	5,622,240	1,794,093	46.9%	0.2%	0.2%	0.0%
Undefined	488,327	119,350	-368,977	-75.6%	0.0%	0.0%	0.0%
Total	1,381,150,396	2,619,195,345	1,238,044,949	89.6%	84.7%	89.8%	5.1%
Agricultural Homesteads	98,894,633	174,868,278	75,973,645	76.8%	6.1%	6.0%	-0.1%
Residential Homesteads	734,995,341	1,330,880,884	595,885,543	81.1%	45.1%	45.6%	0.6%
Total Homesteads	833,889,974	1,505,749,162	671,859,188	80.6%	51.1%	51.6%	0.5%
Non-Homestead Residential	174,321,619	415,949,086	241,627,467	138.6%	10.7%	14.3%	3.6%
Apartments (Over 4 Units)	30,142,718	61,208,918	31,066,200	103.1%	1.8%	2.1%	0.3%
<u>Personal Property Only</u>							
Agricultural	25,959,362	26,818,880	859,518	3.3%	1.6%	0.9%	-0.7%
Residential	8,681,820	8,677,479	-4,341	-0.1%	0.5%	0.3%	-0.2%
Commercial	78,412,481	109,122,698	30,710,217	39.2%	4.8%	3.7%	-1.1%
Industrial	83,842,353	94,915,422	11,073,069	13.2%	5.1%	3.3%	-1.9%
Utility	52,270,030	56,733,359	4,463,329	8.5%	3.2%	1.9%	-1.3%
Total	249,166,046	296,267,838	47,101,792	18.9%	15.3%	10.2%	-5.1%
Total Depreciables	173,946,236	192,870,440	18,924,204	10.9%	10.7%	6.6%	-4.1%
Total Inventory	66,537,989	94,719,919	28,181,930	42.4%	4.1%	3.2%	-0.8%
<u>Agricultural Only</u>							
Ag Non-Hmstd Real	150,592,598	300,519,747	149,927,149	99.6%	9.2%	10.3%	1.1%
Ag Personal	25,959,362	26,818,880	859,518	3.3%	1.6%	0.9%	-0.7%
Total Ag Business	176,551,960	327,338,627	150,786,667	85.4%	10.8%	11.2%	0.4%
Ag Homesteads	98,894,633	174,868,278	75,973,645	76.8%	6.1%	6.0%	-0.1%

* "Net Assessed Value" for real property refers to the gross AV less deductions per the parcel level data received from county auditors and assessors, scaled to values reported on the county auditor's abstract.

* "Net Assessed Value" for personal property refers to the gross personal property assessed value reported on the county auditor's abstract less the deductions reported on the abstract.

** Property class was determined using a combination of county auditor parcel-level real property tax data, county assessor parcel-level real property assessment data, county auditor abstracts, Form 15 personal property assessment data, business and farmer's personal property tax returns over \$150,000 AV, and state distributable utility tax returns.

*** Net AV changes from 2002 to 2003 include effects of changes in assessment methods, real property physical characteristics, property use, personal property held or acquired, and deductions.

**Boone County
Residential Property Summary
2003 Reassessment**

Property Type	Change in Gross AV 2001 to 2003	Change in Net AV 2001 to 2003	Change in Net Tax 2002 to 2003	Change in Net Tax With NO Cert. Levy Chg. 2002 to 2003
All Real Residential Properties	152%	126%	24%	14%
Comparable Residential Real Prop.	108%	83%	0%	-7%
Comparable Homesteads	106%	74%	-5%	-12%

Distribution of Net Tax Changes on Comparable Residential Property

% Change		2002 to 2003 Actual Bills All Residential Property		2002 to 2003 Actual Bills Homesteads Only		2002 to 2003 Recomputed Bills With NO Certified Levy Change All Residential Property		2002 to 2003 Recomputed Bills With NO Certified Levy Change Homesteads	
Over	300%	420	2.7%	80	0.8%	363	2.3%	69	0.7%
200%	to 300%	188	1.2%	58	0.6%	144	0.9%	36	0.4%
100%	to 200%	745	4.8%	232	2.3%	499	3.2%	157	1.6%
50%	to 100%	1,757	11.3%	500	4.9%	1,307	8.4%	331	3.3%
25%	to 50%	1,483	9.6%	820	8.1%	1,297	8.4%	519	5.1%
10%	to 25%	1,681	10.8%	1,060	10.5%	1,283	8.3%	736	7.3%
5%	to 10%	838	5.4%	623	6.2%	673	4.3%	380	3.8%
0	to 5%	1,844	11.9%	842	8.3%	1,716	11.1%	627	6.2%
0	to -5%	1,089	7.0%	901	8.9%	956	6.2%	769	7.6%
-5%	to -10%	1,171	7.6%	1,013	10.0%	1,180	7.6%	947	9.4%
-10%	to -25%	2,718	17.5%	2,600	25.7%	3,380	21.8%	3,059	30.3%
-25%	to -50%	1,315	8.5%	1,230	12.2%	2,322	15.0%	2,221	22.0%
Below	-50%	255	1.6%	146	1.4%	384	2.5%	254	2.5%
		15,504	100.0%	10,105	100.0%	15,504	100.0%	10,105	100.0%
Parcels With Increases		8,956	57.8%	4,215	41.7%	7,282	47.0%	2,855	28.3%
Parcels With Reductions		6,548	42.2%	5,890	58.3%	8,222	53.0%	7,250	71.7%
Average \$ Change		\$5		-\$80		-\$95		-\$196	
Average % Change		0.4%		-5.0%		-7.3%		-12.1%	

"Comparable Properties" = Properties with a record in both years that have improvements in both years OR no improvements in both years.

Data Source: 2001 and 2003 County Parcel Tax Data - County Auditor and Assessor

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